

Message Text

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STR-07 TRSE-00 LAB-04 SIL-01 OMB-01 IO-13 ICA-11
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R 172026Z MAY 78
FM AMEMBASSY PARIS
TO SECSTATE WASHDC 1676
INFO AMEMBASSY BOGOTA
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E.O. 11652: N/A

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SUBJECT: CARIBBEAN GROUP DONORS MEETING - MAY 16

SUMMARY. DONORS CONCLUDED THAT SUBSTANTIAL ADDITIONAL FUNDING AVAILABLE TO CARIBBEAN JUSTIFIED CONVENING FULL CARIBBEAN GROUP MEETING WEEK OF JUNE 19. DOUBLING OF ASSISTANCE ANNOUNCED BY IDB, TO 175 MILLION PER YEAR, IBRD TO \$145 MILLION, AND OPEC SPECIAL FUND TO \$22 MILLION. U.S., CANADA, VENEZUELA SAID ASSISTANCE FLOWS WILL INCREASE. ASIDE FROM U.S., WHICH TOOK LEAD IN STRONG AND WELL RECEIVED OPENING STATEMENT (SEPTTEL), NO COUNTRY ANNOUNCED SPECIFIC CONTRIBUTION TO IBRD PROPOSED ECONOMIC DEVELOPMENT FUND (AGREED TO HAVE INFORMAL MEETING IN WASHINGTON TO FOLLOW UP ABOUT JUNE ONE AFTER FURTHER WORK IN CAPITALS). PRIVATELY CANADIANS INDICATED ABOUT \$10 MILLION CONTRIBUTION; UK CONTRIBUTION PROBABLE AS IS NORWAY AND PERHAPS DUTCH. BUT FRG AND TRINIDAD DID NOT ATTEND; JAPAN SAID LITTLE; FRANCE SAID IT WOULD PROVIDE BILATERAL ASSISTANCE ONLY; AND VENEZUELA SAID IT HAD ALREADY PROVIDED MUCH B/P ASSISTANCE. THUS CONTINUED MAJOR EFFORTS BY IBRD AND U.S. WILL BE REQUIRED TO GET EVEN CLOSE TO \$125 MILLION IBRD TARGET. IDB, UNDP, IBRD, AND CDB WERE DIVIDED ON HOW TO HANDLE TECHNICAL ASSISTANCE LIMITED OFFICIAL USE

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COORDINATION, INCLUDING REGIONAL PREFEASIBILITY STUDIES, AND AGREED TO PREPARE PAPER FOR GROUP MEETING.
END SUMMARY

1. THE CARIBBEAN GROUP POTENTIAL DONORS MET AT PARIS ON MAY 16 UNDER THE LEADERSHIP OF THE IBRD. THE MEETING WAS ATTENDED BY THE FOUR SPONSORING IFIS (THE INTER-AMERICAN DEVELOPMENT BANK - IDB, CARIBBEAN DEVELOPMENT BANK - CDB, AND THE INTERNATIONAL MONETARY FUND - IMF, BESIDES THE WORLD BANK - IBRD). OTHER INSTITUTIONS ATTENDING INCLUDED THE UNITED NATIONS DEVELOPMENT PROGRAM - UNDP, THE OPEC FUND, AND THE EUROPEAN ECONOMIC COMMUNITIES - EEC. OTHER MAJOR PLAYERS ATTENDING THE MEETING WERE THE U.S., CANADA, THE UK, VENEZUELA AND FRANCE. BIT PLAYERS INCLUDED ARGENTINA, JAPAN, SPAIN, NORWAY, THE NETHERLANDS, AND ISRAEL. GERMANY, MEXICO, AND TRINIDAD AND TOBAGO WERE CONSPICUOUS BY THEIR ABSENCE.

2. THE ONE DAY MEETING FOCUSED ON THE CARIBBEAN DEVELOPMENT FACILITY WHICH HAS BEEN PROPOSED BY THE IBRD AS A MEANS OF MEETING SOME LOCAL CURRENCY COSTS OR COST

OVER RUNS OF SOUND ON-GOING DEVELOPMENT PROJECTS DURING
THE CURRENT DIFFICULT PERIOD OF AUSTERITY AND ADJUST-
MENT FOR MANY COUNTRIES IN THE CARIBBEAN. THE IBRD
HAS SET A TARGET OF 125 MILLION DOLLARS FOR THIS
FACILITY WHICH CAN BE EITHER PAID IN OR PLEDGED IN

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R 172026Z MAY 78
FM AMEMBASSY PARIS
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INFO AMEMBASSY BOGOTA
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LOCAL CURRENCIES TO BE GENERATED BY COMMODITY ASSISTANCE FLOWS. IN HIS OPENING STATEMENT EUGENIO F. LARI OF THE BANK WHO CHAIRED THE MEETING MADE CLEAR THE BANK'S CONVICTION THAT THERE WOULD BE LITTLE POINT IN CONTINUING WITH THE CARIBBEAN GROUP EXERCISE IF DONORS FAILED TO MAKE SUBSTANTIAL ADDITIONAL ASSISTANCE AVAILABLE. INDEED, HE INDICATED THAT UNLESS THIS DONOR'S MEETING WAS SUCCESSFUL THERE WOULD BE LITTLE POINT IN THE BANK CONVENING A FULL CARIBBEAN GROUP MEETING FOR JUNE AS PLANNED. LARI NOTED THE BANK'S ESTIMATE THAT A TOTAL OF APPROXIMATELY 650 MILLION DOLLARS A YEAR IN FOREIGN ASSISTANCE FLOWS TO THE CARIBBEAN WAS REQUIRED, MOSTLY ON CONCESSIONAL TERMS. HE EMPHASIZED THAT RECIPIENT GOVERNMENTS WOULD HAVE TO AGREE TO ENERGETIC SELF-HELP MEASUREMENTS IN ORDER TO JUSTIFY THESE INCREASED FLOWS. AS INCREASED OVERALL ASSISTANCE LEVELS SEEM TO BE IN SIGHT THE BANK CONSIDERED THE CDF THE CENTERPIECE OF THE CARIBBEAN GROUP EXERCISE AND THAT IN PLEDGING ADDITIONAL ASSISTANCE TO THE CARIBBEAN, DONORS SHOULD INCLUDE A CONTRIBUTION TO THE CDF.

3. THE US SPOKESMAN FOLLOWED WITH A FIRM BUT FORTH-COMING STATEMENT STRONGLY SUPPORTING THE CONCEPT OF THE CARIBBEAN GROUP, REVIEWING THE STEADY INCREASE IN US ASSISTANCE FLOWS TO THE CARIBBEAN (32.3 MILLION IN FY-75 TO 120 MILLION REQUESTED FOR FY-79), AND OFFERING AN ADDITIONAL 37.5 MILLION

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CONTRIBUTION TO THE CDF. IN MAKING THIS OFFER THE U.S. SPOKESMAN EMPHASIZED THAT IT WAS CONDITIONAL ON THE OTHER DONORS BEING PREPARED TO MEET THE REMAINING REQUIREMENTS OF THE FACILITY, AND ALSO ON A COMMITMENT BY RECIPIENTS TO UNDERTAKE THE ECONOMIC POLICY AND DEVELOPMENT PROGRAM ACTIONS ENDORSED BY THE RESPECTIVE COUNTRY SUB-GROUPS. THE US STATEMENT

AND OFFER WERE VERY WELL RECEIVED BY BOTH THE BANK AND OTHER DONORS AND SET A POSITIVE TONE FOR THE REMAINDER OF THE MEETING. NO OTHER DELEGATIONS WERE PREPARED TO MAKE SPECIFIC PLEDGES TO THE CDF AT THIS TIME BUT A NUMBER OF DELEGATIONS INDICATED SUPPORT IN PRINCIPAL FOR THE CDF AND MAY WELL ANNOUNCE CONTRIBUTIONS LATER. PROBABLE CONTRIBUTORS TO THE CDF INCLUDE CANADA, THE UK, VENEZUELA, AND/OR THE OPEC FUND. IN ADDITION, CONTRIBUTIONS MAY BE FORTHCOMING FROM JAPAN, THE NETHERLANDS, AND NORWAY.

4. WHILE THERE WERE NO SPECIFIC PLEDGES TO THE CDF BEYOND THAT MADE BY THE U.S., OTHER DONORS DID ANNOUNCE SUBSTANTIAL INCREASES IN THEIR PLANNED OVERALL ASSISTANCE TO THE CARIBBEAN OVER THE NEXT SEVERAL YEARS. THE BIG SURPRISE WAS THE IDB WHICH INDICATED IT WOULD DOUBLE ITS ASSISTANCE TO THE CARIBBEAN OVER THE NEXT THREE YEARS AND HOPED TO COMMIT APPROXIMATELY 175 MILLION DOLLARS ANNUALLY IN 1978-80. IN MAKING HIS STATEMENT THE IDB SPOKESMAN (EPSTEIN) EMPHASIZED THE NEED TO STRENGTHEN LOCAL INSTITUTIONS AND THE IMPORTANCE OF DEVELOPING VIABLE REGIONAL PROJECTS. OTHER INCREASES NOTED WERE APPROXIMATE DOUBLING BY THE IBRD IN ITS ASSISTANCE TO AN ANNUAL LEVEL OF APPROXIMATELY 145 MILLION, AND A DOUBLING OF THE OPEC FUND PROGRAM FROM 11 MILLION TO 22 MILLION PER YEAR. OTHER DONORS SAID THAT THEY WOULD CONTINUE ASSISTANCE AT LEAST AT CURRENT LEVELS.

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5. MUCH OF THE ATTENTION OF THE MEETING WAS DEVOTED TO THE RELATIONSHIP BETWEEN THE CDF AND THE BALANCE OF PAYMENTS ASSISTANCE FUND FOR JAMAICA WHICH IS BEING PUT TOGETHER UNDER THE LEADERSHIP OF THE UK AND THE IMF. IN THEIR OPENING STATEMENTS BOTH THE IBRD AND THE IMF EXPLAINED THAT THESE TWO FUNDS SHOULD BE REGARDED AS COMPLEMENTARY AND INDEED

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WERE THE SAME THING SINCE A CONTRIBUTION TO ONE
COULD BE COUNTED ALSO AS A CONTRIBUTION TO THE
OTHER. THE CONCEPT WAS THAT DONORS SHOULD PUT UP
THEIR SHARE OF THE JAMAICA BALANCE OF PAYMENTS FUND

IN VERY QUICK DISBURSING DEVELOPMENT ASSISTANCE. THE FOREIGN EXCHANGE THUS MADE AVAILABLE TO SUPPORT THE BALANCE OF PAYMENTS FUND COULD GENERATE LOCAL CURRENCIES WHICH WOULD THEN BE SPENT ON DEVELOPMENT PROJECTS QUALIFYING FOR CDF SUPPORT. THE U.S. SPOKESMAN STRONGLY SUPPORTED THIS IDEA INDICATING IT WAS NOT SO MUCH DOUBLE COUNTING BUT RATHER A WAY OF GETTING DOUBLE DUTY OUT OF EACH DOLLAR OF DEVELOPMENT ASSISTANCE. DESPITE THESE EXPLANATIONS THE CONCEPT SEEMED NOVEL TO SOME DELEGATIONS AND REQUIRED A GOOD DEAL OF ELABORATION BEFORE IT WAS UNDERSTOOD. THE UK DELEGATION IN PARTICULAR SEEMED TO HAVE DIFFICULTY IN COMING TO GRIPS WITH THE IDEA AND INITIALLY REGARDED THE TWO PROPOSALS AS COMPETING WITH ONE ANOTHER. THE UK DOES NOT PROGRAM LOAN CURRENCY GENERATED BY PROGRAM LOANS. DESPITE SOME INITIAL CONFUSION, HOWEVER, THE OBVIOUS ATTRACTIONS OF THE SCHEME IMPROVED THE CHANCES THAT GOVERNMENTS WILL SUPPORT BOTH THE JAMAICA BALANCE OF PAYMENTS FUND AND THE CDF.

6. ONE MAJOR SUBJECT, THAT OF TECHNICAL ASSISTANCE AND A FUND TO DEVELOP REGIONAL PROJECTS IN THE CARIBBEAN, WAS LITTLE DISCUSSED BECAUSE OF THE DISAGREEMENTS OVER WHICH OF THE RELEVANT IFI'S SHOULD LIMITED OFFICIAL USE

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TAKE THE LEAD IN PLANNING AND EXECUTING THIS FUNCTION. THE CDB FELT STRONGLY THAT IT SHOULD ASSUME PRIMARY RESPONSIBILITY FOR TECHNICAL ASSISTANCE WHILE THE IDB WANTED THE LEADING ROLE, POINTING OUT THE UNWILLINGNESS OF THE CDB TO WORK IN THE DOMINICAN REPUBLIC OR HAITI. STILL A THIRD POSSIBILITY WAS THAT THE UNDP SHOULD ASSUME OVERALL RESPONSIBILITY FOR THE FUNCTION WORKING THROUGH THE CDB OR IDB AS APPROPRIATE. IT WAS AGREED AMONG THE SEVERAL IFI'S THAT THEY WOULD MEET AND WORK OUT A COMPROMISE SOLUTION PRIOR TO THE JUNE 19 CARIBBEAN GROUP MEETING.

7. CDB PROPOSAL FOR BASIC HUMAN RIGHTS FURTHER DISCUSSED ONLY INFORMALLY. BUSHNELL RAISED WITH DEMAS OF CDB DESIRABILITY OF CDB FINDING WAY HANDLE TRUST FUNDS BENEFITTING DR AND HAITI AND DEMAS URGED US CONTACT REGIONAL MEMBER COUNTRIES AT SENIOR POLITICAL LEVEL TO LAY BASIS FOR SUCH DECISION.

8. THE CONCLUSION OF THE MEETING WAS BASICALLY POSITIVE AND DONORS AGREED THAT SUFFICIENT PROGRESS

HAD BEEN MADE IN PRODUCING THE NECESSARY DECISIONS AND SUPPORT FOR THE GROUP, AND THAT THE FIRST GENERAL MEETING OF THE GROUP COULD BE CONVENED FOR THE WEEK OF JUNE 19. IT WAS FURTHER AGREED THAT DONORS WOULD MEET INFORMALLY IN WASHINGTON ABOUT JUNE 1 TO CONSIDER THE EDF. IT WAS HOPED THAT BY THAT TIME ADDITIONAL GOVERNMENTS WOULD BE IN THE POSITION TO MAKE SPECIFIC PLEDGES. WHILE THE OUTCOME OF THE MEETING WAS BASICALLY POSITIVE AND SUBSTANTIAL INCREASES IN OVERALL ASSISTANCE LEVELS TO THE CARIBBEAN DURING THE NEXT SEVERAL YEARS SEEM CERTAIN, THE FAILURE OF GOVERNMENTS TO MAKE SPECIFIC PLEDGES TO THE CDF WAS LESS SATISFACTORY. WHILE LIMITED OFFICIAL USE

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SOME GOVERNMENTS WILL DOUBTLESS ANNOUNCE CONTRIBUTIONS TO THE FACILITY ON JUNE 1 OR AT LEAST BY THE TIME OF THE GROUP MEETING ON JUNE 19, PROSPECTS ARE NOT BRIGHT FOR ACHIEVING THE 125 MILLION TARGET OF THE IBRD.
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